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documents of managerial accounting.
Advantages for decision making processes**

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Forms of presentation for synthesis documents of managerial accounting. Advantages for decision making processes

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Abstract: *The paper presents potential forms of presentation for synthesis documents of managerial accounting in Romania. There are analyzed construction models of results accounts relating to total and partial methods identified within enterprises in Romania, which are accompanied by comments of the authors regarding the way of preparation, presentation, assessment, interpretation of the obtained results, as well as their advantages and disadvantages. There are also presented the models of annexes accompanying results account, intended to highlight deviations, cost analysis. The article ends with the authors' point of view about the models approached and analyzed.*

Keywords: *Results account, Activity-Based Costing, model, synthesis documents, managerial accounting.*

Introduction

The purpose of this article is to provide a model of analytical results account obtained based on managerial accounting data. As the national and international literature in the field have not presented clearly defined models of some results accounts of management accounting, we thought it useful to submit to your attention a model created on the basis of management accounting data in Romania. This article is addressed to all managers and professionals interested in drafting a set of standard accounting synthesis documents of management accounting like those in financial accounting and we believe that the best place for the development of our proposals and ideas is the journal of *Economics and Engineering*. Of course, we only offer a starting model to draft and concentrate the necessary information of complex analysis from both the department heads and the managers of the organizations.

Following the surveys and the documenting done within enterprises in Romania, we have found the accounting synthesis documents of the management accounting to consist of:

1. Results account.
2. Annexes of results account and other analysis statements.

Results Account. Presentation and models

The results account represents the synthesis document of the management accounting that allows viewing earnings and/or losses from the execution of processes and activities at internal level.

In the literature we have identified four models of results accounts.

The first model type identified *the functional results account type* is the best known and generally accepted only in the countries of monism accounting practitioners. Being found in the financial accounting, classification of expenditure is made in relation to the functions of an enterprise according to the way of structural organization and its management accounting. In reality, this model has more disadvantages than advantages. Due to territorial independence, wrong decisions may be taken that would eventually lead to lower overall level of enterprise profitability.

The second model identified *the list results account type* is the most widely used in countries accounting practitioners of dualism as a more favorably seen form of communication of financial performances of an enterprise, regardless of the activity sector. The advantage of this model is limited to "added value" that is defined by reference to two

key success factors, namely: the market and the customer. Judging by the accounts, the management accounting can be organized in two versions:

1. Integrated organization with the use of different analytical in the financial accounting,
2. Dissociated organization with the use of accounts.

We have turned our attention to the second version of the accounting organization including, on the one hand, the existence of financial accounting, and on the other hand, the existence of management accounting. According to the Romanian law, the analytical accounts of managerial accounting allow the following operations:

- Acquisition of expenses from the financial accounting, for which purpose it is better to prepare the "*conversion table*" (table no. 1.) in order to ensure control over the registered operations. After this conversion, the separation of incorporated expenses from unincorporated expenses is done, according to expense's incorporation way in the cost of production, namely regrouping expenses in: direct (the objects of calculation) and indirect (on expenses places by nature).

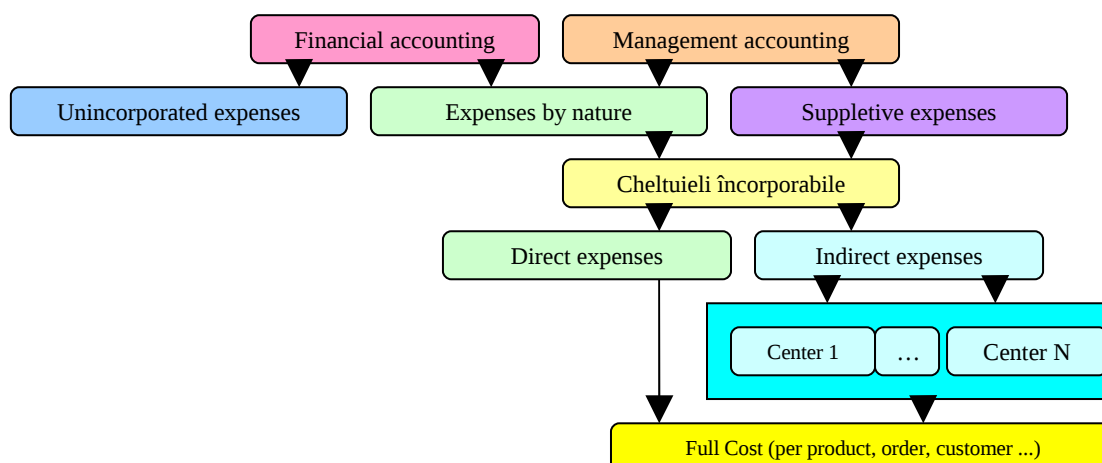
Table no. 1. Conversion table of expenses from financial accounting (6 Class "Expenses") into management accounting (9 Class, "Management Accounts")

6 Class Accounts	Total turnover debtor	Expenses				
		Direct		Indirect		
		921 account	...	923 account	924 account	925 account
601 account						
602 account						
...						
Total						

- Recording, tracking and control of production made during the reporting period, respective the production in progress (unfinished);
- Recording, tracking and control of deviations between actual costs and registration prices of manufactured products;
- Transferring to management accounting/financial accounting of the obtained production effective cost and of the related cost differences.

In dealing with incorporated and unincorporated expenses, suppletive expenditures will still appear, i.e. those expenses that you find only in analytical or management accounting and not in the financial accounting. Schematically these issues mentioned are as follows:

Figure no. 1. The degree of expenditures incorporation in the total cost



Depending on the coverage of expenses in the production cost, we have identified two methods of organizing managerial accounting prevalent in Romania:

1. Full-costing methods (total type) are those methods that take into account all resources used and costs related to a cost object. (Example: global method, the orders method, the phase method, standard cost accounting method, Activity-Based Costing method etc.);

2. Partial-costing methods (partial type) that include those methods that take into account only certain resources and the expenses related to a cost object (e.g. direct-costing method, the direct cost method).

Starting from this classification we can build two major types of results accounts: one that takes into account the total cost and other that takes into account the partial cost, depending on the management accounting organization method.

In the entities that use such full-costing methods in the management accounting organization, the results account has two major components: *income from sales* (turnover) and *total costs*. In turn, total costs are divided according to their nature into two categories: *direct costs* and *indirect costs*. The synthetic version of this results account model type (table no. 2) only general categories of costs can be found, while the analytical version of this results account model type (table no. 3), the categories of costs (direct and indirect) are separated according to calculation articles. The first version can be used to calculate synthetic result (profit or loss) at the enterprise level, while the second version may be used for calculation of analytical result, both at product level and at enterprise level.

Table no. 2. The full-costing synthetic version of the results account model of management accounting

No crt	Explanations	No. row	Sum
1.	Turnover	1	
2.	Total cost including: (rows 3 + 4)	2	
	2.1 Direct costs (921 account)	3	
	2.2 Indirect costs including: (rows 5 + 6 + 7)	4	
	2.2.1 Production activity (923 account)	5	
	2.2.2 Business administration activity (924 account)	6	
	2.2.3 Sales activity (925 account)	7	
3.	Result – profit (rows 1 – 2)	8	
4.	Result – loss (rows 2 – 1)	9	

Table no. 3. The full-costing analytical version of the results account model of management accounting

No crt	Explanations	No. row	Sum
1.	Turnover	1	
2.	Total costs including: (rows 3 + 10)	2	
	2.1 Direct costs (cont 921 account) (rows 3 + 4 + 5 + 6)	3	
	2.1.1 Raw materials	4	
	2.1.2 Direct labor and accesories	5	
	2.1.3 Other direct expenses	6	
	
	2.2 Indirect costs including: (rows 11 + 12 + 13)	10	
	2.2.1 Production activity (923 account)	11	
	2.2.2 Business administration activity (924 account)	12	
	2.2.3 Sales activity (925 account)	13	
3.	Result – loss (rows 1 – 2)	14	
4.	Result – loss (rows 2 – 1)	15	

The two versions (synthetic and analytical) are specific for classic management accounting methods such as the overall method, the phase method or order method. An example below shows the above mentioned.

Table no. 4. Presentation of the account (result) from exploitation

Explanations	Product 1	Product 2	Product ...	Product N
1. Turnover (Income from sales)				
2. Cost of materials				
3. Margin (3=1-2)				
4. Direct production costs				
5. Rationally allocated indirect production costs				
6. Administrative costs				
7. Distribution costs (commercial)				
8. Exploitation result (8=3-4-5-6-7)				

The third model, the partial results account type is characterized by the ability to easily determine specific indicators (break point, cover factor) being comfortable for the management when taking decisions, particularly in the short term. However, it requires a separation of variable and fixed costs in pursuing this type of results account (what if the ABC method is not possible as the fixed costs become variable if you carefully examine their cause).

In the case of direct-costing method, the results account can be presented in three versions: a synthetic (of business level), other analytical (of product level) or combined (both at product and business level).

Synthetic variant (table no. 5) seeks to determine the result (profit or loss) based on turnover (sales revenue) and then by reducing total costs: total variables costs (production and sales) and total fixed costs. Gross margin or contribution is obtained as the difference between turnover and total variable costs.

Table no. 5. The partial-costing synthetic version of the results account model of management accounting

Explanations	No. row	Product			Total
		1	...	N	
Income from sales (turnover)	1				
Total variable costs	2				
Margin (gross contribution)	3 (1-2)				
Total fixed costs	4	x	x	x	
Result (profit or loss)	5 (3-4)	x	x	x	

In the analytical version (table no. 6) the result is determined in the same way as for synthetic method, except that the total variable costs are separated into variable production costs (on calculation articles) and variable selling costs (on calculation articles) and the fixed costs are defined by types of activities (production, administration, sales). The margin (gross contribution) of the production is determined as the difference between turnover and total variable costs, while the margin (gross contribution) of sales is calculated as the difference between gross contribution of production and total variable sales costs.

Table no. 6. The partial-costing analytical version of the results account model of management accounting

Explanations	No. row	Product			Total
		1	...	N	
Income from sales (turnover)	1				
2. Total variable costs	2 (2.1+2.2.)				
▪ Production	2.1.				
- materials	...				
- labor	...				
- other costs	...				
▪ Sales	2.2.				
- transport	...				
- packaging	...				
Gross margin of production	3 (1-2.1)				
Gross margin of sales	4 (3-2.2)				
3. Total fixed costs	5 (5.1+5.2+5.3)	x	x	x	
- production	5.1.	x	x	x	
- administration	5.2.	x	x	x	
- sales	5.3.	x	x	x	
Result (profit or loss)	6 (4-5)	x	x	x	

An interesting possibility for determining the analytical result can be seen in the case of Activity-Based Costing (ABC) method. The total amount of values activities allows providing of a list of ignored expenses, and still essential for managing an enterprise. In a allocation by functional service, which the enterprise knows but does not allow to identify the real causes of the costs development, the ABC method (Activity-Based Costing) substitutes a new results account in which the expenditure lines are not by their nature, neither their costs of different functional services but the resources consumed per activities. Thus the *fourth model of results account* appears, namely the results account on activities that best matches the requirements of the ABC method, transversality and processes structured into activities.

Surprises are generally big and questioned by the heads of functional services, because most activities that are most resource-consuming shadow the causes of the damages. However, the least-consuming activities are essential for the client input value, triggering reactions in order to increase the budget. The managers of functional services easily master these various reactions because the usefulness of the work displayed is easier to identify. This approach serves as a guide for action. Two results accounts may be established in this respect, per activity: overall (enterprise level) and the product level.

According to Activity-Based Costing method, the composition of analytical results account involves, on the one hand, incomes from the sale of calculation objects (products, services), and on the other hand, the costs incurred by the primary and by the support activities within the enterprise.

Everything becomes easier when comparing the global results account of more products:

Table no. 7 Example of global results account per activities for N products

Explanations	No. row	Product 1	Product ...	Product N
Turnover	1			
Consumption of raw materials	2.1.			
Direct payroll costs and supplies	2.2.			
Direct costs – total	2 (2.1+2.2)			
Margin on direct costs	3 (1-2)			
Consumed activities				
- supplier selection	3.1			
- launching and reception of orders	3.2			

- materials storage	3.3.			
- customer billing	3.4			
- packaging orders	3.5			
- cooperation/collaboration	3.6			
- transport	3.7			
- financial and accounting records	3.8			
- centralization of accounting data	3.9			
- management accounting records	3.10			
- sales pricing establishment	3.11			
- tracking competition	3.12			
- calculation of performance indicators	3.13			
- quality control	3.14			
- quality certification of products	3.15			
- processing in section 1	3.16			
- processing in section 2	3.17			
- equipment operation, repairs	3.18			
- human resources	3.19			
- staff salaries	3.20			
- personal records	3.21			
- general administrative	3.22			
Total activities costs	4 (3.1...3.22)			
Contributory margin (3 - 4)	5 (3-4)			
% of turnover				

Customer profitability can be calculated with the same approach. Then we add the previous activities relating to marketing. Traditional approaches did not identify the conditions of sale to the own customers and the distribution channels. This is no longer valid in the case of the ABC/ABM method.

The ABC approach provides therefore a meaningful view upon the customer profitability. It allows the actual consumption activities specific to customers and channels and therefore, an answer to the following question: What are the resource-consuming customers of marketing, funding and delivery?

The activity results account can be modeled based on the information needs of the business objectives of the enterprise. This can be a breakdown, as we have seen, per products, customers, strategic segments, projects etc. The way of presentation allows improving the product quality and reducing the costs per products affected per customers or strategic segments, also explaining the shaping of the training costs.

Whatever the results account model chosen by the company may be, it must aim at maintaining the relevance of information. If practice leads to loss of one-tier system that provided information relevant to the income statement, a company must find the way to make the information on costs to be relevant and to be total. The ABC method solves this issue; making public the information remains an issue. Most worldwide companies that have already implemented the Activity-Based Costing system, maintain a parallel classic calculation costing system, out of the desire to use the financial statement reporting.

Annexes of results account and other analysis statements

Following the research done and the studies regarding the possibilities to report deviations, and ways to include relevant information in the decision making process, we have found the following documents:

1. *Statement of deviations (differences of costs)*. This statement focuses on determining the deviations between actual and pre-calculated costs of management accounting. These deviations can be determined both at the enterprise level and at product level (s).

Annex 1. Deviations statement (differences)

a) at the enterprise level

Explanations	No. row	Sum
Pre-calculated direct costs (921 account)	1	
Pre-calculated indirect costs, of which: (rows 3+4+5)	2	
Production activity (923 account)	3	
Administration activity (924 account)	4	
Sales activity (925 account)	5	
Pre-calculated costs – total (rows 1+2)	6	
Actual direct costs (921 account)	7	
Actual indirect costs, of which:	8	
Production activity (923 account)	9	
Administration activity (924 account)	10	
Sales activity (925 account)	11	
Actual costs – total (rows 4+5)	12	
Differences of costs, of which:	13	
Favorable (rows 6-12)	14	
Unfavorable (rows 12-6)	15	

b) at product level (s)

Explanations	No. row	Product 1	Product 2	...	Product n	Total
Pre-calculated direct costs (921 account)	1					
Pre-calculated indirect costs, of which: (rows 3+4+5)	2					
Production activity (923 account)	3					
Administration activity (924 account)	4					
Sales activity (925 account)	5					
Pre-calculated costs – total (rows 1+2)	6					
Actual direct costs (921 account)	7					
Actual indirect costs, of which:	8					
Production activity (923 account)	9					
Administration activity (924 account)	10					
Sales activity (925 account)	11					
Actual – total (rows 4+5)	12					
Differences of costs, of which:	13					
Favorable (rows 6-12)	14					
Unfavorable (rows 12-6)	15					

2. *Statements depending on the objectives set by the management of the entity.* In addition to these statements, other statements of interest for the management can be added, aiming at objectives, such as: dashboard, balanced scoreboard, benchmarking, cost-benefit analysis and other situations.

An important component of the dashboard that must be considered when preparing it is the position and the behavior of competitors in terms of tracking their activities and the evolution of their performance. For this type of indicators, we find useful information in the databases, economic situations and the available data of the Internet computer network. But these data can also be collected by retailers who are competitive in the market. Enterprise steering is therefore essential to achieve strategic objectives. These types of indicators

compose the full dashboard of the manager and his collaborators. If the case of ABC method, an analysis of the dashboard indicators can take the following form:

Indicators		Stages			
Type of indicator	Indicator name	Findings	Cause (negative) identified	Cause (positive) identified	Actions taken
volume activity indicator	Rates of new customers attracted by the enterprise	Lower rate compared with the objective	Customer focus The offer is not in accordance with customer requirements	Market penetration rate is important	Resegmentation customer New product development
Cost Indicator	The cost of the activity "big stretch market development"	Part of activity cost was is increasing in comparison with the turnover of the sector	Average turnover selling point is not decreasing Insufficient new customers down	Pressure on prices	Adapting trade action to new data of acquisition Price offers adaptation to a better approach of costs Adjustment to trade remuneration
Effectiveness indicator	Average turnover selling point	In relation to the established objective, the average turnover selling point stagnate	Proposed product range is too restricted Insufficient number of products	A part of the market respond in relation to the current production range	Broadening the proposed product range of midrange products Development of a assembly concept

Dashboard activity "Launching orders for manufacturing"

Indicators	Chosen indicator	May	June	Tendency	Envisaged actions
Volume and level of activity	The average value of purchases for the group launched (RON)	Objective: 2600,53 Real: 2690,67	2779,47	Growth	Review of requests: - lower by 90 thousand RON - issued on the same provider during the same week
Effectiveness	The average value of purchases for the group launched in comparison with the target (RON)	Real: 2690,67 Objective: 2600,53 96,64%	2779,47 2690,67 96,80%	Growth	Review of requests: - lower by 88,8 thousand RON - issued on the same provider during the same week
Cost	The average cost of a purchase order	1517	1715 88,45%	Growth	Systematic recourse to the procedure for computer vouchers supply management

Along with the documents models of the annexes, a lot of other documents specific to each entity can be added, depending on the objectives pursued and the need to obtain information, their degree of relevance in the decision making process of the management. Among these, other tools for analyzing performance of an entity such can be enumerated such as cost-benefit analysis, self-evaluation, benchmarking, etc.

Conclusions

The models of synthesis accounting documents presented have several advantages, including:

1. The variety of the models presented allow the users of information (internal and external) to choose the correct model for determining the results depending on the type of method used (full-costing type or partial-costing type);

2. The usage of one or another model triggers the formation of a constantly updated database or the use of a computer program that meets the requirements for the provision of information;

3. The construction model and its flexible structure allow multi-level data concentration.

By drafting and presenting classical and modern models for determining the results of management accounting, managers can finally have that set of synthesis accounting documents necessary for appropriate decision-making (multi-level), information that are based on the quality criteria provided by local and international literature.

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